

**MADISON COUNTY  
EMERGENCY COMMUNICATIONS DISTRICT**

**FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
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## **INTRODUCTORY SECTION**

**MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**June 30, 2012**

**SCHEDULE OF OFFICIALS**

Becky Hayes, Chairperson  
Doug Stephenson, Vice-Chairman  
Dan Vaughn, Secretary  
Steve Pollock, Board Member  
John Scofield, Board Member  
Teresa Henson, Board Member  
Eric Turner, Board Member  
David Woolfork, Board Member

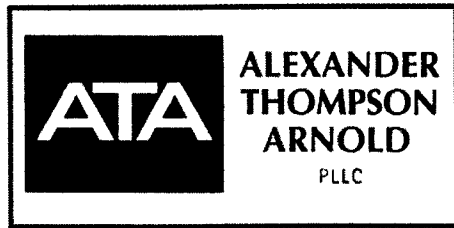
**Management Official**

Kim Augustine, Executive Director

**Independent Certified Public Accountant**

Alexander Thompson Arnold PLLC  
Jackson, Tennessee

## **FINANCIAL SECTION**



Certified Public Accountants

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AICPA Employee Benefit Plan Audit Quality Center  
Tennessee Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants

## Independent Auditor's Report

Board of Directors  
Madison County Emergency Communications District  
Jackson, Tennessee

We have audited the accompanying financial statements of Madison County Emergency Communications District (a component unit of Madison County, Tennessee) (the District) as of and for the year ended June 30, 2012, as listed in the Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2012, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Directors  
Madison County Emergency Communications District  
Jackson, Tennessee

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress on pages 4 through 7 and 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of operating expenses and the budgetary comparison schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Certified Public Accountants  
Jackson, Tennessee  
August 24, 2012

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Madison County Emergency Communications District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2012. All amounts, unless otherwise indicated, are expressed in actual dollars.

### **FINANCIAL HIGHLIGHTS**

Management believes the District's financial condition is strong. The District is well within its budget and the more stringent financial policies and guidelines set by the Board and management. The following are key financial highlights.

- Total assets at year-end were \$4.61 million and exceeded liabilities in the amount of \$4.54 million (i.e. net assets). Total assets increased by \$541 thousand due to the upgrade of the districts system.
- Net assets increased \$532 thousand during the current year due to the upgrade of the districts system.
- During fiscal year 2012, the District's Public Safety Answering Points answered 79,342 calls compared to 80,169 calls during the fiscal year 2011.
- Operating revenues were \$1.12 million, an increase from year 2011 in the amount of \$180 thousand or 19.20%.
- Operating expenses were \$943 thousand, an increase from year 2011 in the amount of \$203 thousand or 27.41%. This increase was due to increased depreciation due to the system upgrade and new equipment put into service.
- The operating income for the year was \$172 thousand as compared to a \$195 thousand operating income during the 2011 fiscal year.

### **OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT**

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the financial statements and supplementary information. The MD&A represents management's examination and analysis of the District's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the District's strategic plan, budget and other management tools were used for this analysis. The financial report is made up of 4 sections: 1) the introductory section, 2) the financial section, 3) the other supplemental information, and 4) the internal control and compliance section. The introductory section includes the District's directory. The financial section includes the MD&A, the independent auditor's report, the financial statements with accompanying notes, and the required supplementary information. The other supplementary information section includes selected financial and operational information. The internal control and compliance section includes the report on internal control and compliance. These sections make up the financial report presented here.

### **REQUIRED FINANCIAL STATEMENTS**

A Proprietary Fund is used to account for the operations of the District, which is financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.



The financial statements report information about the District, using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

The *Statement of Net Assets* presents the financial position of the District on a full accrual, historical cost basis. The statement of net assets includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the District's creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

The *Statement of Revenues, Expenses and Changes in Net Assets* presents the results of the business activities over the course of the fiscal year and information as to how the net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement measures the success of the District's operations and can be used to determine whether the District has successfully recovered all of its costs. This statement also measures the District's profitability and credit worthiness.

The *Statement of Cash Flows* presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipt and cash disbursement information, without consideration of the earnings event, when an obligation arises.

The *Notes to the Financial Statements* provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the District's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. A *Supplementary Schedule* comparing the budget to actual expenses is also presented.

## **FINANCIAL ANALYSIS**

One of the most important questions asked about the District's finances is "Is the District, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets report information about the District's activities in a way that will help answer this question. These two statements report the net assets of the District and the changes in the net assets. Net assets are one way to measure the financial health or financial position of the District. Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, customer growth, and legislative mandates.

The District's total net assets increased by \$532 thousand for the fiscal year ended June 30, 2012. The analysis below focuses on the District's net assets (Table 1) and changes in net assets (Table 2) during the year.

Table 2A  
**CONDENSED STATEMENT NET ASSETS**

	June 30, 2012	June 30, 2011	Increase (Decrease)	
			\$	%
Current and other assets	\$ 2,776,800	\$ 3,319,616	\$(542,816)	-16.35%
Capital assets	1,828,846	745,309	1,083,537	145.38%
Total assets	<u>4,605,646</u>	<u>4,064,925</u>	<u>540,721</u>	<u>13.30%</u>
 Total liabilities	 <u>69,684</u>	 <u>61,156</u>	 <u>8,528</u>	 <u>13.94%</u>
 Investment in capital assets	 1,828,846	 745,309	 1,083,537	 145.38%
Unrestricted net assets	<u>2,707,116</u>	<u>3,258,460</u>	<u>(551,344)</u>	<u>-16.92%</u>
 Total net assets	 <u>\$ 4,535,962</u>	 <u>\$ 4,003,769</u>	 <u>\$ 532,193</u>	 <u>13.29%</u>

The increase in capital assets was the result of upgrades to all of the districts systems.

Changes in the District's net assets can be determined by reviewing the following condensed Statement of Income, Expenses and Changes in Fund Net Assets for the years.

Table 2B  
**CONDENSED STATEMENT OF INCOME, EXPENSES  
AND CHANGES IN FUND NET ASSETS**

	June 30, 2012	June 30, 2011	Increase (Decrease)	
			\$	%
Operating revenues	\$ 1,115,307	\$ 935,646	\$ 179,661	19.20%
Non-operating revenues	<u>360,352</u>	<u>59,834</u>	<u>300,518</u>	<u>502.25%</u>
Total revenues	<u>1,475,659</u>	<u>995,480</u>	<u>480,179</u>	<u>48.24%</u>
 Salaries and wages	 147,677	 144,656	 3,021	 2.09%
Employee benefits	51,398	50,099	1,299	2.59%
Contracted services	264,008	267,707	(3,699)	-1.38%
Supplies and materials	22,265	24,840	(2,575)	-10.37%
Other charges	58,343	47,815	10,528	22.02%
Depreciation	<u>399,775</u>	<u>205,400</u>	<u>194,375</u>	<u>94.63%</u>
Total expenses	<u>943,466</u>	<u>740,517</u>	<u>202,949</u>	<u>27.41%</u>
 Change in net assets	 532,193	 254,963	 277,230	 108.73%
Beginning net assets	<u>4,003,769</u>	<u>3,748,806</u>	<u>254,963</u>	<u>6.80%</u>
Ending net assets	<u>\$ 4,535,962</u>	<u>\$ 4,003,769</u>	<u>532,193</u>	<u>13.29%</u>

Operating revenues showed a 19.20% increase from 2011 to 2012. Expenses increase 27.41% from 2011 to 2012. The increase in expenses is due to increased depreciation as a result of new equipment associated with the system upgrade.

## CAPITAL ASSETS

At the end of the fiscal year 2012, the system had \$1.83 million (net of accumulated depreciation) invested in a broad range of District capital assets. This investment includes automobiles, equipment and various fixtures and pieces of furniture. Based on the uses of the aforementioned assets, they are classified for financial purposes as furniture and fixtures, office equipment, communication equipment and vehicles. This investment represents an overall increase (net of increases and decreases) of \$1.08 million or 145.38% from last year.

The following tables summarize the District's capital assets, net of accumulated depreciation, and changes therein, for the year ended June 30, 2012. These changes are presented in detail in Note 4 to the financial statements.

### CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	June 30, 2012	June 30, 2011	Increase (Decrease)	
			\$	%
Buildings	\$ 290,762	\$ 288,201	\$ 2,561	0.89%
Land	16,100	16,100	-	0.00%
Furniture and fixtures	167,523	58,226	109,297	187.71%
Office equipment	38,214	49,325	(11,111)	-22.53%
Communication equipment	1,308,051	320,359	987,692	308.31%
Vehicles	8,196	13,098	(4,902)	-37.43%
Total capital assets, net of accumulated depreciation	<u>\$ 1,828,846</u>	<u>\$ 745,309</u>	<u>\$ 1,083,537</u>	145.38%

The District plans on using existing financial resources to keep upgrading existing systems and adding new systems where it sees fit and remain in compliance with the Tennessee Emergency Communications Board guidelines.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Due to the increased use of wireless devices, the District expects shared wireless revenue to continue to increase in future years. The District's surcharge for each wireless device is currently set at \$1.00. This rate is set by the State and is not expected to increase in the coming year. Due to the decreased use of landline phones, the District expects the emergency telephone service charge revenue to decrease in future years. The District's surcharge is currently set at \$.45 and \$1.64 for residential and business lines, respectively.

## CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any information provided in this report or requests for any additional information should be directed to the Executive Director of the Madison County Emergency Communications District, 914 N. Highland Avenue; Jackson, TN 38301.

**MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**STATEMENT OF NET ASSETS**  
June 30, 2012

**ASSETS**

Current assets

Cash and cash equivalents	\$ 1,211,183
Certificates of deposit	1,500,000
Accrued interest receivable	9,281
Accounts receivable	42,693
Prepaid expenses	<u>13,643</u>
Total current assets	<u>2,776,800</u>

Noncurrent assets

Capital assets

Land	16,100
Building and improvements	304,964
Furniture and fixtures	264,100
Office equipment	79,423
Communication equipment	2,933,284
Vehicles	30,691
Accumulated depreciation	<u>(1,799,716)</u>
Total capital assets	<u>1,828,846</u>
<b>Total assets</b>	<b><u>4,605,646</u></b>

**LIABILITIES**

Accounts payable	47,951
Compensated absences payable	<u>21,733</u>
Total current liabilities	<u>69,684</u>

**NET ASSETS**

Investment in capital assets	1,828,846
Unrestricted net assets	<u>2,707,116</u>
<b>Total net assets</b>	<b><u>\$ 4,535,962</u></b>

The accompanying notes are an integral part of the financial statements.

**MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
For The Year Ended June 30, 2012

**Operating revenues**

Emergency telephone service charge	\$ 541,624
Tennessee Emergency Communications Board - shared wireless charge	230,766
Tennessee Emergency Communications Board - operational funding	<u>342,917</u>
Total operating revenues	<u>1,115,307</u>

**Operating expenses**

Salaries and wages	147,677
Employee benefits	51,398
Contracted services	264,008
Supplies and materials	22,265
Other charges	58,343
Depreciation	<u>399,775</u>
Total operating expenses	<u>943,466</u>

**Operating income**

**171,841**

**Non-operating revenues**

Investment income	29,399
Interest income	303
Tennessee Emergency Communications Board - grants and reimbursements	327,910
Miscellaneous income	<u>2,740</u>
Total non-operating revenues	<u>360,352</u>

**Change in net assets**

**532,193**

Net assets, July 1, 2011	<u>4,003,769</u>
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Net assets, July 1, 2012	<u>\$ 4,535,962</u>
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The accompanying notes are an integral part of the financial statements.

**MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**STATEMENT OF CASH FLOWS**  
For The Year Ended June 30, 2012

**Cash flows from operating activities**

Cash received from surcharges and other revenues	\$ 1,117,974
Cash paid to suppliers of goods and services	(334,981)
Cash paid for employees' services and benefits	<u>(197,832)</u>
Net cash provided by operating activities	<u>585,161</u>

Cash flows from non-capital financing activities:

Tennessee Emergency Communications Board - grants & reimbursements	327,910
Miscellaneous income	<u>2,740</u>
Net Cash Provided by Non-Capital Financing Activities	<u>330,650</u>

**Cash flows from capital and related financing activities**

Acquisition of fixed assets	<u>(1,483,311)</u>
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**Cash flows from investing activities**

Purchase of investments	(1,500,000)
Interest on investments	<u>20,421</u>

<b>Net decrease in cash</b>	<b>(2,047,080)</b>
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Cash and cash equivalents-July 1, 2011	<u>3,258,263</u>
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<b>Cash and cash equivalents-July 1, 2012</b>	<b><u>\$ 1,211,183</u></b>
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**Reconciliation of operating income to net cash provided by operating activities**

Operating income	\$ 171,841
<i>Adjustments to reconcile operating income to net cash provided by operating activities:</i>	
Depreciation	399,775
Decrease in accounts receivable	2,667
Decrease in prepaid expenses	2,350
Increase in accounts payable	7,285
Increaes in compensated absences	<u>1,243</u>
<b>Net cash provided by operating activities</b>	<b><u>\$ 585,161</u></b>

The accompanying notes are an integral part of the financial statements.

**MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Madison County Emergency Communications District (the District) was created under *Tennessee Code Annotated (TCA) 7-86-109 et. Seq., Emergency Communications District Law* by a referendum of voters in Madison County, Tennessee (the County) on May 5, 1987.

The purpose of the District is to provide a simplified means of securing emergency services by telephone to those persons living in the County.

The District is considered a component unit of the County because the Board of Directors of the District is appointed by the County Commission. The County Commission must approve any debt issued by the District.

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The accounting policies of the District conform to generally accepted accounting principles applicable to government as defined in the *Statements of Governmental Accounting Standards Board (GASB)*. The District also elected to apply generally accepted accounting principles as defined by *Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions* and *Accounting Research Bulletins* issued on or before November 30, 1989. After that date the District has elected to apply only GASB pronouncements. The following is a summary of the more significant accounting policies.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The District is considered an enterprise fund, which uses the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with this activity are included on their statement of net assets. Enterprise fund operating statements present increases (revenues) and decreases (expenses) in net total assets.

**C. Assets, Liabilities, and Net Assets**

**Deposits and investments**

Cash and Cash Equivalents are considered to be all demand deposits and other deposits with original maturities of three months or less are included in the caption cash and cash equivalents.

**MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

State statutes allow investments in obligations of the U.S. treasury, agencies, instrumentalities and obligations guaranteed as to principal and interest of the United States or any of its agencies, repurchase agreements, the Tennessee local Government Investment Pool and certificates of deposit.

**Accounts receivable**

Accounts receivable represents amounts due from various telephone service providers, less applicable commissions, Emergency Medical Services, and state wireless charges.

**Capital assets**

The capital assets are recorded at historical cost. Maintenance, repairs and minor renewals are expensed as incurred. Interest costs incurred on financing during the construction or installation period of capital assets are capitalized as part of the cost of the assets.

Depreciation is recognized over the estimated useful lives of the property and equipment of 5 to 10 years using the straight-line method.

**Compensated absences**

The District allows two weeks of vacation to each employee per year with accrual limited to 30 days for one to five years of service. For employees with six to ten years of service, 18 days of vacation are received and accrual is limited to 36 days. Employees with more than ten years of service receive three weeks of vacation with accrual limited to 39 days. Employees with twenty or more years of service receive 24 days of vacation with accrual limited to 42 days. Employees receive full reimbursement for unused vacation upon leaving the employment of the District.

**Net Assets**

Equity is reported as net assets, which are classified into the following components, as applicable:

*Invested in capital assets* – consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any payables that are attributable to the acquisition, construction, or improvement of those assets

*Restricted* – net assets when constraints are placed on their use by external third parties or imposed by law

*Unrestricted* – all other net assets that do not meet the definition of the other categories.

**Revenues**

The District receives remittances from telephone companies and the state of Tennessee representing fees that have been collected on behalf of the District for 911 services. These fees are remitted to the District on a monthly or bi-monthly schedule, depending on the telephone company. Fees collected for 911 services are considered operating revenues.

**NOTE 2 – STEWARDSHIP, COMPLIANCE, and ACCOUNTABILITY**

**Budgetary Information**

The District adopts a budget in accordance with the requirements of the Tennessee Emergency Communications Board and the Tennessee Code Annotated 7-86-120. This budget is adopted on



**MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

an other comprehensive basis of accounting, which is not in accordance with generally accepted accounting principals. The budgetary basis of accounting includes expenditures for fixed assets and reduction of principal on long-term debt, but does not include depreciation. Expenditures are required to be within budgetary limits at the line item level of control.

**NOTE 3 – DETAILED NOTES ON ACCOUNTS**

**A. Deposits and investments**

The District's policies limit deposits and investments to those instruments allowed by applicable state laws and described below. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the District's agent in the District's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the District to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2012, \$500,228 of the District's bank balance was covered by federal depository insurance, and the remaining bank balance of \$2,220,366 was covered by the Tennessee Bank Collateral Pool.

**B. Capital Assets**

Description	Balance 7/1/11	Additions	Disposals	Balance 6/30/12
Capital assets, not being depreciated				
Land	\$ 16,100	\$ -	\$ -	\$ 16,100
Capital assets, being depreciated				
Buildings	294,664	10,300	-	304,964
Furniture and fixtures	132,855	131,245	-	264,100
Office equipment	79,423	-	-	79,423
Communication equipment	1,591,518	1,341,766	-	2,933,284
Vehicles	30,691	-	-	30,691
Total capital assets being depreciated	2,129,151	1,483,311	-	3,612,462
Less accumulated depreciation				
Buildings	6,463	7,739	-	14,202
Furniture and fixtures	74,629	21,948	-	96,577
Office equipment	30,098	11,111	-	41,209
Communication equipment	1,271,159	354,074	-	1,625,233
Vehicles	17,593	4,902	-	22,495
Total accumulated depreciation	1,399,942	399,774	-	1,799,716
Net capital assets	\$ 745,309	\$ 1,083,537	\$ -	\$ 1,828,846

**MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 4 – OTHER INFORMATION**

**Funding sources**

Funding for the District's operations is provided by monthly fees from service users in the County and by monthly fees from wireless cellular phone subscribers. AT&T and alternate local exchange carriers collect service fees from the county users and remit the funds to the District. The Tennessee Emergency Communications Board collects monthly service fees from wireless cellular phone subscribers and remits a set percentage to the District.

**Retirement plan**

Plan Description: Employees of the District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service, and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the TCA. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10<sup>th</sup> Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS>.

Funding Policy: The District has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

The District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2012 was 16.05% of annual covered payroll. The contribution requirements of plan members are set by state statute. Contribution requirements for the District are established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost: For the year ending June 30, 2012, the District's annual pension cost of \$23,503 to TCRS was equal to the District's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen initial

**MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

liability actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually.

The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of equities over a five-year period. The District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 20 years. An actuarial valuation was performed July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
June 30, 2011	\$23,008	100%	\$0
June 30, 2010	\$18,960	100%	\$0
June 30, 2009	\$18,565	100%	\$0

Funded Status and Funding Progress:

As of July 1, 2009, the most recent actuarial valuation date available, the plan was 59.12% percent funded. The actuarial accrued liability for benefits was \$0.4 million, and the actuarial value of assets was \$0.2 million, resulting in an unfunded actuarial liability (UAAL) of \$0.2 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.1 million, and the ratio of the UAAL to the covered payroll was 111.54 percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

**MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

Actuarial Valuation	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)-entry age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Date	(a)	(b)	(b)-(a)	(a/b)	(c)	((b-a)/(c))
July 1, 2009	\$221,000	\$373,000	\$153,000	59.12%	\$137,000	111.54%
July 1, 2007	\$194,000	\$282,000	\$88,000	68.79%	\$118,000	74.58%

**Commitments**

The District is obligated to AT&T for the monthly operating and maintenance services pertaining to the operation of the emergency communications system. The maintenance portion of this contract is \$10,722 per month for a 72 month period, beginning in 2006. The operating portion under this contract is based on the actual number of lines used and is adjusted annually. The current base operating charge is \$5,860 monthly. During this fiscal year, the communications equipment used by the County Fire Department was added, and has a monthly maintenance fee of \$139.

The remaining commitment under these contracts is as follows::

Year End	Amount
2013	\$ 33,834
2014	1,668
	<u>\$ 35,502</u>

**Risk management**

The District is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the District to purchase commercial insurance for the risks of general liability, vehicle liability employee dishonesty, worker's compensation and physical damage to its fixed assets. Settled claims have not exceeded this commercial coverage or in any coverage of the past three years and there has been no significant reduction in the amount of coverage provided.

## **REQUIRED SUPPLEMENTAL INFORMATION**

The supplemental information section of this report includes information not required to be included in the financial statements and is provided for the purpose of additional analysis.

**MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS**  
June 30, 2012

Actuarial Valuation Date	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratio (1) / (2)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (3) / (5)
7/1/2009	\$ 221,000	\$ 373,000	\$ 153,000	59.12%	\$ 137,000	111.54%
7/1/2007	\$ 194,000	\$ 282,000	\$ 88,000	68.79%	\$ 118,000	74.58%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method change was made during the year of the most recent actuarial valuation date, therefore only the most current year is presented.

See the independent auditor's report.

## **OTHER SUPPLEMENTARY SECTION**

The other supplementary information section of this report includes information not required to be included in the financial statements and is provided for the purpose of additional analysis.

**MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**SCHEDULE OF OPERATING EXPENSES**  
For The Year Ended June 30, 2012

Salaries and wages	
Director	\$ 59,817
Administrative personnel	82,760
Pay bonus	<u>5,100</u>
	<u>\$ 147,677</u>
Employee benefits	
Social security/medicare	\$ 7,830
Life insurance	504
Medical insurance	18,373
Dental insurance	1,188
Retirement contributions	<u>23,503</u>
	<u>\$ 51,398</u>
Contracted services	
Audit services	\$ 4,795
Data processing services	5,160
Fees paid to service providers	160,228
Maintenance agreements	7,161
Pest control	320
Lease/rental:	
Communications equipment	76,130
Maintenance and repairs:	
Communications equipment	1,642
Buildings and facility	1,803
Office equipment	975
Vehicles	476
Fuel - vehicles	2,516
Language line	374
Other contracted services	<u>2,428</u>
	<u>\$ 264,008</u>

*See independent auditor's report*



**MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**SCHEDULE OF OPERATING EXPENSES**  
For The Year Ended June 30, 2012

Supplies and materials	
Office supplies	\$ 3,320
Custodial supplies	311
Data processing supplies	2,244
Postage	286
Utilities:	
Electric	3,720
Water	618
General telephone	4,385
Cell phones and pagers	2,209
PSAP supplies	5,172
	<u>\$ 22,265</u>
Other charges	
Bank charges	\$ 106
Board meeting expenses	791
Dues and memberships	980
Insurance:	
Liability	1,076
Buildings and contents	11,558
Vehicles	2,235
Legal notices	386
Premiums on surety bonds	978
Public education	3,514
Training expenses	3,036
Travel expenses	13,473
Internet	1,059
Dispatch training	18,788
Miscellaneous expenses	363
	<u>\$ 58,343</u>

*See independent auditor's report*

**MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
BUDGETARY COMPARISON SCHEDULE (CASH BASIS)**

For The Year Ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance Over (Under)
<b>Operating cash receipts</b>				
Emergency telephone service charge	\$ 357,000	\$ 380,420	\$ 544,291	\$ 163,871
TECB - share wireless charge	207,000	207,000	230,766	23,766
TECB - operational funding	334,000	327,400	342,917	15,517
	<u>898,000</u>	<u>914,820</u>	<u>1,117,974</u>	<u>203,154</u>
<b>Operating cash expenditures</b>				
Salaries and wages				
Director	59,700	59,700	59,117	(583)
Administrative personnel	82,750	82,750	81,536	(1,214)
Pay Bonus	5,100	5,100	5,100	-
Employee benefits				
Social security/medicare	12,000	12,000	7,818	(4,182)
Life insurance	1,010	1,010	488	(522)
Medical insurance	20,500	20,500	18,039	(2,461)
Dental insurance	1,600	1,600	1,188	(412)
Retirement contributions	23,850	23,850	23,503	(347)
Contracted services				
Advertising	1,500	1,500	-	(1,500)
Audit services	5,000	5,000	4,795	(205)
Data processing services	6,000	6,000	5,160	(840)
Fees paid to service providers	162,000	180,000	160,228	(19,772)
Legal services	2,000	2,000	-	(2,000)
Maintenance agreements	5,500	5,500	4,811	(689)
Pest control	420	420	320	(100)
Lease/rental:				
Communications equipment	96,000	96,000	76,130	(19,870)
Maintenance and repairs:				
Communications equipment	5,400	5,400	1,642	(3,758)
Buildings and facility	6,000	6,000	2,017	(3,983)
Office equipment	1,800	1,800	975	(825)
Vehicles	3,600	3,600	476	(3,124)
Language line	900	900	403	(497)
Fuel - vehicles	5,400	5,400	2,516	(2,884)
Other contracted services	10,000	10,000	2,428	(7,572)

*See independent auditor's report*

**MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
BUDGETARY COMPARISON SCHEDULE (CASH BASIS)**

For The Year Ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance Over (Under)
Supplies and materials				
Office supplies	\$ 4,200	\$ 4,200	\$ 3,320	\$ (880)
Custodial supplies	1,200	1,200	311	(889)
Data processing supplies	5,000	5,000	2,244	(2,756)
Postage	1,200	1,200	286	(914)
Uniforms and shirts	1,500	1,500	-	(1,500)
Utilities:				
Electric	7,500	7,500	3,720	(3,780)
Gas	2,000	2,000	-	(2,000)
Water	3,000	3,000	618	(2,382)
General telephone	6,000	6,000	4,385	(1,615)
Cell phones and pagers	2,400	2,400	2,209	(191)
PSAP supplies	6,100	6,100	4,774	(1,326)
Other charges				
Bank charges	360	360	106	(254)
Board meeting expenses	1,950	1,950	893	(1,057)
Dues and memberships	2,200	2,200	980	(1,220)
Insurance:				
Workman's compensation	500	500	-	(500)
Liability	2,000	2,000	1,076	(924)
Buildings and contents	11,000	11,560	11,558	(2)
Vehicles	3,000	3,000	2,235	(765)
Legal notices	1,500	1,500	328	(1,172)
Premiums on surety bonds	2,100	2,100	978	(1,122)
Public education	10,000	10,000	3,514	(6,486)
Training expenses	12,000	12,000	3,752	(8,248)
Travel expenses	28,000	28,000	6,626	(21,374)
Internet	1,020	1,100	1,059	(41)
Dispatch training	48,000	48,000	18,788	(29,212)
Miscellaneous expenses	2,500	2,500	363	(2,137)
Capital purchases	<u>1,535,000</u>	<u>1,516,360</u>	<u>1,483,311</u>	<u>(33,049)</u>
Total operating expenses	<u>2,219,260</u>	<u>2,219,260</u>	<u>2,016,124</u>	<u>(203,136)</u>
<b>Cash basis operating income</b>	<b>(1,321,260)</b>	<b>(1,304,440)</b>	<b>(898,150)</b>	<b>406,290</b>

*See independent auditor's report*

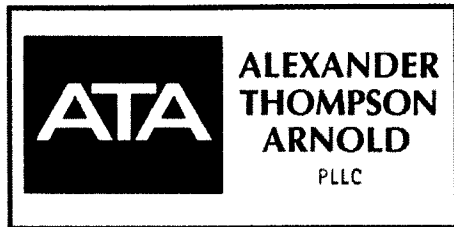
**MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
BUDGETARY COMPARISON SCHEDULE (CASH BASIS)**

For The Year Ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance Over (Under)
<b>Non-operating cash receipts</b>				
Investment income	\$ 36,000	\$ 19,300	\$ 20,118	\$ 818
Interest income	240	240	303	63
TECB grants and reimbursements	-	-	327,910	327,910
Miscellaneous income	<u>2,640</u>	<u>2,520</u>	<u>2,740</u>	<u>220</u>
Total non-operating cash receipts	<u>38,880</u>	<u>22,060</u>	<u>351,071</u>	<u>329,011</u>
 <b>Cash basis net income (loss)</b>	 <b><u>\$(1,282,380)</u></b>	 <b><u>\$(1,282,380)</u></b>	 <b><u>(547,079)</u></b>	 <b><u>\$ 735,301</u></b>
 <b>Reconciliation of cash basis to accrual basis</b>				
Depreciation expense			(399,775)	
Capital purchases			1,483,311	
Increase in accrued interest receivable			9,281	
Increase (decrease) in current receivables			(2,667)	
Increase (decrease) in prepaid expenses			(2,350)	
Increase in accounts payable			(7,285)	
Increase in compensated absences payable			<u>(1,243)</u>	
Net reconciliation cash to accrual			<u>\$ 1,079,272</u>	
 <b>Increase (decrease) in net assets (accrual)</b>			 <b>532,193</b>	
 Net assets, July 1, 2011			 <u>4,003,769</u>	
 Net assets, July 1, 2012			 <u>\$ 4,535,962</u>	

See the independent auditor's report.

## **INTERNAL CONTROL AND COMPLIANCE SECTION**



Certified Public Accountants

[www.atacpa.net](http://www.atacpa.net)

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**Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance With *Government Auditing Standards***

Board of Directors  
Madison County Emergency Communications District  
Jackson, Tennessee

We have audited the financial statements of Madison County Emergency Communications District (a component unit of Madison County, Tennessee) (the District) as of and for the year ended June 30, 2012, and have issued our report thereon dated August 24, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Dyersburg, TN  
Henderson, TN  
Jackson, TN  
Martin, TN  
McKenzie, TN

Milan, TN  
Murray, KY  
Paris, TN  
Trenton, TN  
Union City, TN

Board of Directors  
Madison County Emergency Communications District  
Jackson, Tennessee

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the District's Board of Directors, management and the Comptroller of the Treasury, State of Tennessee. It is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Alexander Thompson Arnold, PLLC". The signature is written in a cursive, flowing style.

Certified Public Accountants  
Jackson, Tennessee  
August 24, 2012